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BEFORE THE ARIZONA CORPORATION COMMISSION

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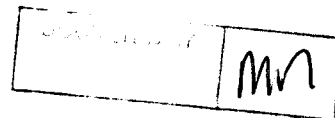
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Arizona Corporation Commission  
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OCT -7 2008



IN THE MATTER OF THE REVIEW AND  
POSSIBLE REVISION OF ARIZONA  
UNIVERSAL SERVICE FUND RULES,  
ARTICLE 12 OF THE ARIZONA  
ADMINISTRATIVE CODE

DOCKET NO. RT-00000H-97-0137

IN THE MATTER OF THE  
INVESTIGATION OF THE COST OF  
TELECOMMUNICATIONS ACCESS.

DOCKET NO. T-00000D-00-0672

QWEST CORPORATION'S REPLY  
REGARDING MATRIX ISSUES AND  
PROCEDURAL RECOMMENDATIONS

Qwest Corporation ("Qwest") submits the following reply comments pursuant to the  
Procedural Order entered in these dockets, dated August 20, 2008.

1. Which carriers' access rates should be the subject of this proceeding? Rural ILECs only?  
CLECs too?

Qwest Position: Rural ILEC and CLEC rates should both be addressed in this proceeding.  
Qwest's switched access rates have already been reduced on two separate occasions as part of  
Phase I of this docket and it would be improper to further address Qwest's rates prior to  
completing Phase II for all other carriers in the state.

1

2 2. What access rate level and structure should be targeted? Interstate? Qwest's current intrastate  
3 access rate level? Elimination of the CCL?

4

5 Qwest Position: Qwest's current intrastate rate level should be the objective for the carriers  
6 subject to Phase II.

7

8 3. How much of access cost recovery, if any, should be shifted to end users? What showing  
9 should be required for such a shift? What should be the role of "benchmark" rates, and how  
10 should benchmarks be set?

11

12 Qwest Position: Benchmarks should be set equal to 125% of the statewide average rate for  
13 both residence and business basic local service. Recovery of any reductions in a carrier's  
14 intrastate access charges should first be made by raising end user rates by an amount not to  
15 exceed the benchmark. The revenue affect associated with the access charge reductions should  
16 be calculated using current quantities for the access elements multiplied by the difference  
17 between the existing and proposed access rates.

18

19 4. How much of access cost recovery, if any, should be shifted to the AUSF? What showing  
20 should be required for such a shift?

21

22 Qwest Position: Any amount of revenue recovery for access cost reductions not recovered by  
23 first increasing local rates as described in # 3 above, or through FUSF disbursements, would be  
24 eligible for recovery from the AUSF. Carriers should first be required to make a showing, either  
25 through a R14-2-103 filing, or through a simplified earnings review, that their earnings do not  
26 exceed the authorized rate of return.

1

2 5. How long should a transition period be, if any?

3

4 Qwest Position: Any transition period should be determined on a carrier by carrier basis.

5 Some carriers may need to make large increases to local rates in order to reach the benchmark  
6 and it would be appropriate to consider phasing those in over a period of time. Qwest believes  
7 that any phase in of rates should be accomplished in no more than three years.

8

9 6. Which carriers should be eligible for AUSF support?

10

11 Qwest Position: Only carriers who are certified as ETCs and whose rates are regulated by the  
12 ACC should be eligible for AUSF support.

13

14 7. What should be supported by the AUSF? Access replacement only? High cost loops? Line  
15 extensions? Centralized administration and automatic enrollment for Lifeline and Link-Up?

16

17 Qwest Position: As stated above, access replacement should only be supported to the extent  
18 that revenues cannot be recovered by raising local rates up to the statewide benchmark. AUSF  
19 funding could be used to support High cost loops by utilizing a competitive bid process for the  
20 minimum support necessary to provide service in the unserved area. The winner of the  
21 competitive bid will be the exclusive recipient of AUSF in the unserved area. Any such AUSF  
22 funds dispersed will be considered as an aid to construction, with no continuing support for the  
23 recipient's on-going operations after the initial construction. The winning bid must commit to  
24 serving the area for a minimum of 10 years.

25

26 AUSF funds should also be available in connection with the centralized administration and

1 automatic enrollment of the Lifeline, Telephone Assistance, and Link-up Programs, all of which  
2 support and promote AUSF principles.

3  
4 8. What should be the basis of AUSF contributions and what should be the structure of any  
5 AUSF surcharge(s)?

6  
7 Qwest Position: AUSF Contributions should come from all sectors of the industry, i.e. ILEC,  
8 CLEC, Cable, Wireless and VOIP providers should all contribute. Pending adoption of revised  
9 procedures at the federal level, contributions should be determined based on a carrier's percent  
10 of statewide revenues. The AUSF surcharge should mirror any changes made to the surcharge  
11 methodology adopted by the FCC in connection with the Federal Universal Service Fund.

12  
13 9. Other substantive issues?

14  
15 Qwest Position: None

16  
17 10. How is the best way to proceed resolving the foregoing issues?

18  
19 Qwest Position:

20  
21 The FCC has recently given indications that it plans to address intercarrier compensation issues  
22 by the end of this year. Qwest believes that that it would be advisable to wait and see what  
23 direction the FCC takes with respect to access charges before proceeding in Arizona. If the FCC  
24 fails to take action by the end of the year, then Qwest recommends that the Commission  
25 commence a rulemaking proceeding in Arizona.

1  
2 RESPECTFULLY SUBMITTED this 7th day of October, 2008.

3 QWEST CORPORATION

4  
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9 **Original and 15 copies of the foregoing**  
10 **were filed this 7th day of October, 2008 with:**

11 Docket Control  
12 Arizona Corporation Commission  
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14 **COPY of the foregoing mailed/mailed**  
15 **this 7<sup>th</sup> day of October, 2008 to:**

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